



THE CHARTERED INSURANCE INSTITUTE

DIPLOMA

OCTOBER 2009 EXAMINATION PAPER

**UNIT P85
CLAIMS PRACTICE**

INSTRUCTIONS

- Two hours are allowed for this paper.
- Fill in the information requested on the answer booklet and on form B.
- You are allowed to write on the inside pages of this question paper but you must **NOT** write your name, candidate number, PIN or any other identification anywhere on this question paper.
- **The answer booklet and this question paper must be handed in personally by you to the invigilator before you leave the examination. Failure to do this may result in your paper not being marked and you may be prevented from entering this examination in future.**

READ THE INSTRUCTIONS OVERLEAF CAREFULLY BEFORE ANSWERING ANY QUESTIONS.

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P85 – Claims practice

CANDIDATE INSTRUCTIONS

READ THE INSTRUCTIONS BELOW BEFORE ANSWERING ANY QUESTIONS.

Two hours are allowed for this paper, which contains 15 short answer questions and carries a total of 130 marks.

The number of marks allocated to each question part is given next to the question and you should spend your time in accordance with that allocation.

Answer each question on a new page. If the question has more than one part, leave several lines blank after each part.

It is important to show each step in any calculation, even if you have used a calculator.

You may find it helpful in some places to make rough notes in the answer booklet. If you do this, you should cross through these notes before you hand in the booklet.

Answer ALL questions.

Note form is acceptable where this conveys all the necessary information.

1. List six common exclusions that may be found in a typical insurance policy. (6)

2. Following expansion of the insurance company for which you work, handling of some claims is to be outsourced to a third party administrator.
 - (a) Explain briefly how Financial Services Authority regulation will apply to the outsourced claims. (2)
 - (b) Outline three practical steps your company may take when implementing the outsourcing arrangement. (6)

3.
 - (a) Explain the reasons for the introduction of the Compensation Act 2006. (3)
 - (b) Describe two key features of the Act relating to negligence claims generally. (6)

4.
 - (a) Explain the purpose of an excess. (9)
 - (b) Give an example of a class of business where an excess would be prohibited by law. (1)

5. Joe Smith's shop is seriously damaged in a fire. He has commercial property cover including fixtures and fittings for the premises with XYZ Insurance Company Ltd, for whom you are the property claims handler. His policy wording contains a pro-rata average clause. Joe's policy was written on the basis that the value of the fixtures and fittings is £35,000 and the value of the property is £150,000. The loss adjuster you have appointed reports to you that the fire has caused damage that will cost £20,000 to repair, and that in fact the fixtures and fittings were valued at £50,000 before the fire.

Calculate how much Joe will receive for his fire claim. **Show all your workings** including the appropriate formula, in words, and your calculation. (6)

6. Explain the term ‘reservation of rights’. (12)
7. Your claims manager has asked you to put together a checklist of questions that should be considered when proposing to instruct an expert.
List ten questions that should be included on the checklist. (10)
8. Outline the ways in which information obtained during a claim can be of use to other departments within an insurance company. (8)
9. Explain briefly the importance of accurate claims reserving. (8)
10. The Financial Services Authority have set six key outcomes for firms to achieve in order to comply with ‘Treating Customers Fairly’. Identify, giving brief reasons, which of the six key outcomes are particularly relevant for claims handlers. (8)
11. The XYZ Insurance Company has a standard notification clause in all its policies that states: ‘We will not make any payments under this policy unless you notify us promptly.’
Outline the purpose of the clause and the possible effects for the insured if they fail to comply. (12)
12. Explain briefly the key points of the leading case *Kosmar Villa Holidays plc v Trustees of Syndicate 1243* (2008). (12)

- 13.** You work in the claims department of a large insurer, PXR plc, which writes a wide variety of business. You receive a new claim from an insured relating to damage caused to their premises by a third party. During your investigations you discover that the third party who seems responsible for the damage is also insured by PXR plc.
- (a) State the Financial Services Authority's Principle for Businesses that will apply in this situation. **(4)**
 - (b) Outline the steps you should take to ensure compliance with the Principle. **(3)**
- 14.** List eight possible sources of supplementary information that could be used during investigation of a claim, other than the claim form itself. **(8)**
- 15.** Describe briefly three situations where it would be important for a claims handler to advise reinsurers of a potential claim. **(6)**

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